

To the Members of the Assembly:

I am returning Assembly Bill 649 without my signature.

This bill would require the State to reinvest into the community-based services program for the developmentally disabled any General Fund savings that result from the State receiving increased federal financial participation (FFP) for those services. The bill requires the Department of Developmental Services (DDS) to consult stakeholders in developing budget proposals to reinvest these funds. The bill also requires the Department of Health Services (DHS) to make every effort to secure the maximum amount of federal funds for community-based services.

This bill will limit the State's flexibility to manage the budget by preventing the State from offsetting General Fund expenditures for community-based services to the developmentally disabled with increased federal funds. Receipt of additional federal funds gives the State flexibility to continue General Fund investments in services or to offset General Fund expenditures according to fiscal and policy priorities. This flexibility to manage resources is particularly important during times of fiscal crisis. Given the current fiscal challenges facing California, it is critical that the State maintain all potential options for balancing the budget.

This Administration is committed to increasing California's share of federal funding, and our State agencies and departments continue to explore ways to maximize federal funds. The DDS and the DHS have been working on several projects to maximize federal funds for the developmental services system. The 2004 Budget continues to provide resources to the DDS to increase federal funds in several areas.

For the reason stated above I cannot sign this measure.

Sincerely,

Arnold Schwarzenegger